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# Tangipahoa Water District Tangipahoa Parish Council

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Annual Financial Report  
December 31, 2002 and 2001

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Release Date 5/14/03

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Annual Financial Report  
December 31, 2002 and 2001  
With Supplemental Information Schedules**

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**Tangipahoa Water District  
Tangipahoa Parish Council**

**Annual Financial Report  
December 31, 2002 and 2001  
With Supplemental Information Schedules**

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**Independent Auditor's Report**

Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council

We have audited the accompanying financial statements of business-type activities of the Tangipahoa Water District, Louisiana, a component unit of the Tangipahoa Parish Council, as of December 31, 2002 and 2001, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tangipahoa Water District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Tangipahoa Water District, as of December 31, 2002 and 2001, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2003, on our consideration of the Tangipahoa Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**BRUCE HARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
*A Professional Accounting Corporation*

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Management's Discussion and Analysis on pages 7 - 15 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Tangipahoa Water District. The supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Tangipahoa Water District. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

March 6, 2003

## Management's Discussion and Analysis

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Management's Discussion and Analysis**

**Introduction**

Tangipahoa Water District is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (hereinafter referred to as GASB 34), and related standards. Although GASB 34 is not required to be implemented until the fiscal year ending December 31, 2003, management elected early implementation in the fiscal year ending December 31, 2001 to provide financial statement users a more detailed and comprehensive analysis of the financial performance of the District. This is the second year of presentation under the new GASB 34 format. Please read the following in conjunction with the District's financial statements and footnotes, which follow this section.

**Financial Highlights**

- Total assets for the year were \$20,283,082, at December 31, 2002, and exceeded liabilities in the amount of \$5,602,523 (i.e., net assets). Of the total net assets, \$750,012 was unrestricted and available to support short-term operations, with the balance invested in capital assets, net of related debt, or restricted for capital activity and debt service. The total net assets increased from the prior fiscal year with the major component of change being an increase of \$185,585 in the amount invested in capital assets, net of related debt.
- User fee revenues (water sales) for the fiscal year ending December 31, 2002 increased to \$1,864,146, representing an approximate 3.3 % increase from the total user fees of \$1,804,029 for the fiscal year ending December 31, 2001. One of the reasons for the increase was that at December 31, 2002, the total number of customers had increased by 384 from the prior fiscal year.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations, other than interest income and interest expense, increased by \$44,475 (2.77% increase) as compared to the prior fiscal year, totaling \$1,648,556 for the fiscal year ended December 31, 2002. Of the total increase of \$44,475, a total of \$58,673 was attributable to increased depreciation expense on water system improvements, leaving a decrease of \$14,198 in remaining operating expenses.
- Interest income for the fiscal year ended December 31, 2002, totaled \$145,126, representing an increase of \$13,469 from the prior fiscal year. The increase in interest income is due primarily to a favorable rate of return on the District's fiscal agency agreement, and interest earned on bond anticipation notes, with the interest income dedicated to construction projects financed.
- Total long-term debt decreased from \$13,791,453 at December 31, 2001, to \$13,665,810 at December 31, 2002. The decrease is due primarily to the payment of principal on outstanding bonds.
- As a result of the demand for services, and long-range plans of the Tangipahoa Water District to improve operations of the District, water system improvements are being constructed for the Phase II Project (Bedico/Robert/Robertson Road Area) to serve an estimated additional 700 customers, with a total of 81 of these customers on-line at December 31, 2002. As of December 31, 2002, the District had expended \$2,632,551 for construction improvements for Phase II. Subsequent to fiscal year end, the District obtained permanent financing, Water Revenue Bonds, Series 2002, not to exceed a total of \$3,820,000 for completion of this project and to meet long-range planning goals of the District.



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**Tangipahoa Water District  
Tangipahoa Parish Council**

**Management's Discussion and Analysis**

**Overview of Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Tangipahoa Water District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets, accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of the District, and schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure.

**Financial Analysis**

The purpose of financial analysis is to help determine whether Tangipahoa Water District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.



**Tangipahoa Water District  
Tangipahoa Parish Council**

**Management's Discussion and Analysis**

**Condensed Balance Sheet**

	December 31, 2002	December 31, 2001	Dollar Change	Percent Change
Current and Other Assets	\$ 2,996,438	\$ 4,996,881	\$ (2,000,443)	-40.03%
Capital Assets	17,286,644	15,129,989	2,156,655	14.25%
Total Assets	<u>\$ 20,283,082</u>	<u>\$ 20,126,870</u>	<u>\$ 156,212</u>	0.78%
Long-Term Debt Outstanding	\$ 13,665,810	\$ 13,791,453	\$ (125,643)	-0.91%
Other Liabilities	1,014,749	905,295	109,454	12.09%
Total Liabilities	<u>14,680,559</u>	<u>14,696,748</u>	<u>(16,189)</u>	-0.11%
Invested in Capital Assets, Net of Related Debt	4,520,537	4,334,952	185,585	4.28%
Restricted for Capital Activity and Debt Service	331,974	398,818	(66,844)	-16.76%
Unrestricted	<u>750,012</u>	<u>696,352</u>	<u>53,660</u>	7.71%
Total Net Assets	<u>5,602,523</u>	<u>5,430,122</u>	<u>172,401</u>	3.17%
Total Liabilities and Net Assets	<u>\$ 20,283,082</u>	<u>\$ 20,126,870</u>	<u>\$ 156,212</u>	0.78%

The change in "Total Assets" represents changes in two major categories of assets—"Current and Other Assets" and "Capital Assets", and represents primarily the use of \$2,010,693 to fund Phase I (Vicaro) and Phase II (Bedico/Robert/Robertson Road Area) construction improvements. Considering only current assets used to fund current operations (other than restricted assets), the District would show an increase of \$123,422, with the largest increase being \$108,500 due from the Louisiana Department of Environmental Quality as reimbursement due on the Bolivar Water System Improvements project. Current assets used to fund current operations include such items as cash for operations and maintenance and accounts receivable—see "Statement A - Balance Sheet" for a listing of Current Asset categories.

Of the total increase of \$2,156,655 in capital assets, the major increase was due to completion of the Phase I (Misc. Water System Improvements), and construction costs for the Phase II (Bedico/Robert/Robertson Road area), and for the Bolivar Water System improvements. A more detailed analysis of the changes in capital assets is included in a following section entitled "Capital Assets".

The decrease in long-term liabilities of \$125,643 is due to payment of principal on existing water revenue bonds for the District. The level of debt did not increase since the District was using \$3,510,000 in bond anticipation notes to fund construction improvements for the Phase II (Bedico/Robert/Robertson Road area) project. A more detailed analysis of the changes in long-term debt is included in a following section entitled "Long-Term Debt Activity". Other liabilities increased by \$109,454, due primarily to increases in meter deposit liability of \$55,781, after a restatement of the liability for meter deposits, with the balance of the increase due primarily to increases in accrued interest on the Phase II construction project. At December 31, 2001, the District had completed a study to more accurately establish the amount owed to customers for meter deposits. A prior period adjustment of \$111,817 was made to correct the meter deposit liability.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Management's Discussion and Analysis**

Total net assets (total assets less total liabilities) increased by \$172,401 for the fiscal year ending December 31, 2002, with the major component of change being an increase of \$185,585 in the amount "Invested in Capital Assets, Net of Related Debt". Net Assets "Restricted for Capital Activity and Debt Service" decreased by \$66,844, with an increase of \$53,660 in "Unrestricted Net Assets".

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

	Year Ended December 31, 2002	Year Ended December 31, 2001	Dollar Change	Percent Change
Revenues:				
Operating Revenues	\$ 2,090,890	\$ 2,003,205	\$ 87,685	4.38%
Nonoperating Revenues	151,677	132,606	19,071	14.38%
Total Revenues	<u>2,242,567</u>	<u>2,135,811</u>	<u>106,756</u>	5.00%
Expenses:				
Depreciation Expense	532,392	473,719	58,673	12.39%
Other Operating Expense	1,116,164	1,130,362	(14,198)	-1.26%
Nonoperating Expense	530,110	464,147	65,963	14.21%
Total Expenses	<u>2,178,666</u>	<u>2,068,228</u>	<u>110,438</u>	5.34%
Income (Loss) Before Contributions & Prior Period Adjustments	63,901	67,583	(3,682)	
Prior Period Adjustments	-	106,817	(106,817)	
Capital Contributions	108,500	675,642	(567,142)	
Changes in Net Assets	172,401	850,042	(677,641)	
Beginning Net Assets	5,430,122	4,580,080	850,042	
Ending Net Assets	<u>\$ 5,602,523</u>	<u>\$ 5,430,122</u>	<u>\$ 172,401</u>	

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table shows an increase of \$172,401 in net assets for the fiscal year ending December 31, 2002, with the major source of the increase due to capital contributions to be received from the Louisiana Department of Environmental Quality of \$108,500 for the Bolivar Water System project. Whereas income before contributions increased to \$63,901 at December 31, 2002, the total income before contributions at December 31, 2002 would have been significantly less if there had not been \$145,126 in interest income for the current fiscal year. Interest income was higher because the District had secured a fiscal agent commitment through July 2002 that locked in the rate of return on cash deposits, including deposits restricted for construction projects.

The District's total revenues increased by \$106,756, due primarily to continued growth of the District, which added 384 customers for the current fiscal year. Total operating expenses remained fairly constant, other than for depreciation expense, which increased by \$58,673, and interest expense in the "Nonoperating Expense" category which increased by \$59,361. Depreciation and interest expense will continue to increase as the Phase II (Bedico/Robert/Robertson Road) improvements are completed. Operating expenses are discussed in further detail in the following section entitled "Budgetary Highlights".

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Management's Discussion and Analysis**

One of the methods for viewing changes from year-to-year is to compare revenue and expense data calculated per customer. As noted in a following section, there were 8,583 customers at December 31, 2002, and 8,199 customers at December 31, 2001. This information is often used by lenders to calculate the water rates required to cover operating expenses and debt service requirements. The following table presents comparative data for the fiscal years ending December 31, 2002 and 2001:

**Revenue and Expense Data Per Customer**

	December 31, 2002	December 31, 2001	Increase (Decrease)
Water Sales	<u>18.10</u>	<u>18.34</u>	<u>(0.24)</u>
Operating Revenues	<u>20.30</u>	<u>20.36</u>	<u>(0.06)</u>
Total Revenues	<u>21.77</u>	<u>21.71</u>	<u>0.06</u>
Operating Expenses	<u>16.01</u>	<u>16.30</u>	<u>(0.29)</u>
Total Expenses	<u>21.15</u>	<u>21.02</u>	<u>0.13</u>

This data provides information on trends in revenue and expenses per customer, but should be reviewed over an extended period. In particular, trends should be reviewed after implementation of the Phase II (Bedico/Robert/Robertson Road area) project which will add an additional 700 customers during the fiscal year ending December 31, 2003.

**Budgetary Highlights**

Tangipahoa Water District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Management's Discussion and Analysis**

**Budget vs. Actual - Fiscal Year Ended December 31, 2002**

	Budget Year Ended December 31, 2002	Actual Year Ended December 31, 2002	Favorable (Unfavorable) Variance
Revenues:			
Operating	\$ 2,086,736	\$ 2,090,890	\$ 4,154
Nonoperating	111,008	151,677	40,669
Total Revenues	<u>2,197,744</u>	<u>2,242,567</u>	<u>44,823</u>
Operating Expenses:			
Chlorination	78,823	91,429	(12,606)
Contract Labor	76,271	72,070	4,201
Depreciation	521,511	532,392	(10,881)
Electricity	125,000	109,275	15,725
Insurance	90,000	103,315	(13,315)
Office & Computer Expense	41,500	35,747	5,753
Operating Costs - Trucks	41,000	42,593	(1,593)
Repairs & Maintenance	102,000	97,841	4,159
Wages & Benefits	459,431	424,452	34,979
Other Operating Expenses	133,902	139,442	(5,540)
Total Operating Expenses	<u>1,669,438</u>	<u>1,648,556</u>	<u>20,882</u>
Non-Operating Expenses:			
Interest Expense	522,255	523,508	(1,253)
Other Nonoperating Exp.	-	6,602	(6,602)
Total Nonoperating Exp.	<u>522,255</u>	<u>530,110</u>	<u>(7,855)</u>
Total Expenses	<u>2,191,693</u>	<u>2,178,666</u>	<u>13,027</u>
Income (Loss) Before Capital Contributions and Prior Period Adjustment	<u>\$ 6,051</u>	<u>\$ 63,901</u>	<u>\$ 57,850</u>

Income Before Capital Contributions was above the projected budget balance due primarily to an increase in interest income in the nonoperating revenue category above the projected budget, and an increase in water sales as the District added 384 new customers for the fiscal year ending December 31, 2002.

Operating expenses were below projected budget by \$20,882, with the major variations under budget being wages and benefits at \$34,979 below budget, with the categories over budget including chlorination expenses over budget by \$12,606, depreciation by \$10,881, and insurance by \$13,315.

**Other Significant Trends and Account Changes**

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.



**Tangipahoa Water District  
Tangipahoa Parish Council**

**Management's Discussion and Analysis**

**General Operating Data**

	December 31, 2002	December 31, 2001	Increase (Decrease)
Employees (Including Part-Time Employees)	15	17	(2)
Customers:			
Residential	8,240	7,850	390
Commercial	343	349	(6)
Total	8,583	8,199	384

Total employees decreased by two as of December 31, 2002, and total customers increased by 384. At December 31, 2002, there was still an estimated 619 additional customers to be added on completion of Phase II improvements.

**Other Significant Account Changes and Financial Trends**

One key measure of a District's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2002, and 2001.

	Year Ended December 31, 2002	Year Ended December 31, 2001	Increase (Decrease)
0 - 30 Days Past Due	\$ 84,402	\$ 82,440	\$ 1,962
31 - 60 Days Past Due	17,827	15,876	1,951
61 - 90 Days Past Due	3,481	4,310	(829)
Over 90 Days Past Due	-	6,889	(6,889)
Total Accounts Receivable for Water (Before Allowance for Bad Debts)	105,710	109,515	(3,805)
Sewer & Garbage Receivables	25,986	40,808	(14,822)
Total Accounts Receivable	\$ 131,696	\$ 150,323	\$ (18,627)

Total receivables for the water District decreased by \$3,805 from the period of December 31, 2001, to December 31, 2002, with no balance due for over 90 days past due. The continued decrease reflects the board of commissioner's policy of writing off past due accounts on no less than a quarterly basis.

**Capital Assets**

At the end of the fiscal year ending December 31, 2002, Tangipahoa Water District had \$17,286,644 recorded in capital assets. This includes water systems and improvements in the southern end of the parish, with a current expansion program in progress for the Bedico/Robert/Robertson Road area. The District also acquired and services the Fourth Ward and Second Ward water systems in the northern end of the parish. Other significant capital assets include the District's investment for the office building and storage for water system equipment and supplies, land owned for the office building site and for water well locations, and equipment and machinery, including vehicles, for water system operation. The changes in capital assets are presented in the table below.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Management's Discussion and Analysis**

	December 31, 2002	December 31, 2001	Dollar Change	Percent Change
Land	\$ 176,502	\$ 176,502	\$ -	0.00%
Building	212,862	210,328	2,534	1.20%
Equipment	661,088	612,130	48,958	8.00%
Furniture and Fixtures	10,953	10,953	-	0.00%
Water Distribution System	17,558,125	17,113,312	444,813	2.60%
Construction in Progress	2,643,941	504,408	2,139,533	424.17%
Subtotal	21,263,471	18,627,633	2,635,838	14.15%
Less: Accumulated Depreciation	3,976,827	3,497,644	479,183	13.70%
Net Capital Assets	<u>\$ 17,286,644</u>	<u>\$ 15,129,989</u>	<u>\$ 2,156,655</u>	14.25%

In the equipment category, the reason for the increase was primarily the replacement of four vehicles for the District. For the water distribution system, the major additions were for additional costs of \$65,122 for the Phase I Vicaro System, \$108,500 for Bolivar Water System improvements (to be reimbursed by LDEQ), with the balance for improvements to maintain and upgrade the water systems. Construction in progress at December 31, 2002 consisted of \$11,390 expenses incurred for the Office/Annex project and \$2,632,551 for the Phase II (Bedico/Robert/Robertson Road) project. Total projected cost of the Office/Annex, to house field crews, is estimated at \$119,500. Permanent financing for the Phase II project secured after fiscal year end, as noted in "Footnote 14 - Subsequent Events", provides financing not to exceed \$3,820,000 for water system expansion and improvements under the Phase II project.

#### **Long-Term Debt Activity**

The primary source of long-term financing for Tangipahoa Water District water system improvements is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS). Interim financing, pending completion of construction, is generally financed by private financial institutions, or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS at December 31, 2002, range from 4.75% to 5.5%, with initial payment terms for bonds generally at 40 years.

Long-term debt at December 31, 2002 listed in the table below includes bond anticipation notes for interim financing totaling \$3,510,000 for the Phase II (Bedico/Robert/Robertson Road) project. As noted above, permanent financing for the Phase II project was obtained subsequent to fiscal year end as noted in "Footnote 14 - Subsequent Events".

Bonds financed for Tangipahoa Water District do not generally require a specific debt to net income or net cash flow ratio, but bond restrictions do state that the District must set its water rates at a level necessary to fund debt service requirements and to pay for the normal operating expenses of the District. One measure of the operating performance of the District is the Debt to Net Assets ratio. This measure, viewed over time, yields a comparison of how the District has maintained a workable ratio of total debt to net resources of the District. An increase over an extended period of time would indicate that the District is increasing debt in relation to its operating performance, and management should analyze other factors, such as overall profitability, to ensure that total debt is increased only in relation to the income that will be earned by financed expansions. Two variations of the Debt to Assets Ratio, Total Debt to Net Assets and also Total Long-Term Debt to Net Assets, are presented below. As indicated, the ratios are only a measure of performance and should be reviewed over an extended period of time in combination with other factors that indicate the profitability of the water district.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Management's Discussion and Analysis**

	December 31, 2002	December 31, 2001
Total Debt	\$ 13,789,318	\$ 13,897,899
Total Long-Term Debt	13,665,810	13,791,453
Total Net Assets	5,602,523	5,430,122
 Total Debt to Net Assets Ratio	 2.46	2.56
Total Long-Term Debt to Net Assets Ratio	2.44	2.54

**Future Economic Plans**

At fiscal year end, the District had incurred \$2,632,941 of an estimated \$3,820,000 in project costs for the Phase II (Bedico/Robert/Robertson Road) project serving the southeastern part of Tangipahoa Parish, including parts of Ward 8. Upon completion, this project will serve an estimated additional 700 customers, 81 of which were on-line at December 31, 2002.

In an effort to meet the needs of existing customers and to respond to the demands of a growing community, the Board of Commissioners of Tangipahoa Water District created a "Long-Range Committee" to identify and prioritize those areas for which construction projects would benefit residents of Tangipahoa Parish. The committee meets periodically with the system engineer to formalize these plans, and to review cost estimates. The priority listings below are a continuation of those reported in the prior fiscal year, with funding planned from the Phase II project and from operating funds of the District.

**Phase II - Additional Work Priorities - Change Order # 1**

Road/Location	Segment	Estimated Cost	Priority
a. Rufus Bankston Road	Tie-in to LA 1064	\$ 46,800	1
b. Wardline Road	Brickyard - Durbin Road	22,800	2
e. US 190 East	LA 1064 to Country Club	39,700	5
f. Bennet Road	US 190 East to Old Covington Highway	44,700	6
h. LA 445 North	US 190 East to Chappapeela*	132,100	8
i. LA 443 (Morris Road)	Bellewood to Faller Road	71,800	9
k. Old Covington Highway	US 190 East to Booker II Road	98,800	11
n. Rogers Road	US 190W to Wardline Road	45,500	14
<b>Total Estimated Change Order Amount</b>		<b>\$ 502,200</b>	

\* Required in conjunction with a Louisiana Community Development Block Grant (LCDBG) federal grant.

**Tangipahoa Water District Annual Contract Work**

Road/Location	Segment	Estimated Cost	Priority
c. Hayes Road	South of LA 1054	\$ 55,300	3
g. Pleasant Ridge Road	US 190E to Old Covington Highway	25,700	7
<b>Total Estimated Change Order Amount</b>		<b>\$ 81,000</b>	



# Financial Statements

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Statement A**

**Balance Sheet  
December 31, 2002 and 2001**

<b>Assets</b>	<u>2002</u>	<u>2001</u>
<b>Current Assets:</b>		
Cash - Operating	\$ 249,483	\$ 253,724
Cash - Capital Improvements	211,271	180,258
Accounts Receivable (Net)	121,834	142,881
Accrued Billings	95,423	93,218
Due From Other Governments	109,911	3,148
Prepaid Insurance	25,234	16,405
Inventory	51,974	52,074
<b>Total Current Assets</b>	<u>865,130</u>	<u>741,708</u>
<b>Restricted Assets:</b>		
Cash - Customer Deposits	323,673	460,953
Cash - RUS Bond Depreciation and Contingency	238,126	198,285
Cash - RUS Bond Reserve	214,716	229,030
Cash - Phase I Improvements	-	162,588
Cash - Phase II Improvements	1,311,508	3,159,613
<b>Total Restricted Assets</b>	<u>2,088,023</u>	<u>4,210,469</u>
<b>Capital Assets:</b>		
Land	176,502	176,502
Plant and Equipment	18,443,028	17,946,723
Construction in Progress	2,643,941	504,408
<b>Total Capital Assets</b>	<u>21,263,471</u>	<u>18,627,633</u>
Less: Accumulated Depreciation	(3,976,827)	(3,497,644)
<b>Net Capital Assets</b>	<u>17,286,644</u>	<u>15,129,989</u>
<b>Other Assets:</b>		
Utility Deposits	705	705
Bond Issue Cost	42,580	43,999
<b>Total Other Assets</b>	<u>43,285</u>	<u>44,704</u>
<b>Total Assets</b>	<u>\$ 20,283,082</u>	<u>\$ 20,126,870</u>

(Continued)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Statement A**

**Balance Sheet  
December 31, 2002 and 2001**

**Liabilities and Net Assets**

**Liabilities:**

**Current Liabilities (Payable From Current Assets):**

	<u>2002</u>	<u>2001</u>
Accounts Payable	\$ 45,594	\$ 52,912
Sales Tax Payable	5,350	5,834
Accrued Wages	34,021	43,562
Payroll Tax Payable	900	2,755
Due to Other Governments	70,675	59,510
<b>Total Current Liabilities (Payable From Current Assets)</b>	<u>156,540</u>	<u>164,573</u>

**Current Liabilities (Payable From Restricted Assets):**

Accrued Interest Payable - RUS Bonds	118,193	28,497
Construction Accounts Payable	91,591	133,168
Retainage Payable	82,442	86,171
Customer Deposits Payable	442,475	386,440
Current Portion of RUS Bonds	123,508	106,446
<b>Total Current Liabilities (Payable From Restricted Assets)</b>	<u>858,209</u>	<u>740,722</u>

**Long-Term Liabilities:**

Bonds Payable - Original System	2,906,569	2,950,536
Bonds Payable - Pumpkin Center #1	2,567,251	2,598,517
Bonds Payable - Pumpkin Center #2	120,893	122,526
Bonds Payable - Ponchatoula East #1	2,799,581	2,829,394
Bonds Payable - Ponchatoula East #2	289,611	292,695
Bonds Payable - Phase I Series 2001	1,471,905	1,487,785
Bond Anticipation Notes Payable	3,510,000	3,510,000
<b>Total Long-Term Liabilities</b>	<u>13,665,810</u>	<u>13,791,453</u>
<b>Total Liabilities</b>	<u>14,680,559</u>	<u>14,696,748</u>

**Net Assets:**

Invested in Capital Assets, Net of Related Debt	4,520,537	4,334,952
Restricted for Capital Activity and Debt Service	331,974	398,818
Unrestricted	750,012	696,352
<b>Total Net Assets</b>	<u>5,602,523</u>	<u>5,430,122</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 20,283,082</u>	<u>\$ 20,126,870</u>

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Statement B**

**Statement of Revenues, Expenses, and Changes in Net Assets  
Years Ended December 31, 2002 and 2001**

<b>Operating Revenues</b>	<u>2002</u>	<u>2001</u>
Water Sales	\$ 1,864,146	\$ 1,804,029
Penalties	41,442	27,815
Service Connection and Installation Fees	121,749	111,450
Reconnect Charges	35,925	35,300
Billing Fees	15,741	14,935
DHH Fee Allowance	2,650	2,575
Miscellaneous	9,237	7,101
<b>Total Operating Revenues</b>	<u>2,090,890</u>	<u>2,003,205</u>
<b>Operating Expenses</b>		
Accounting Fees	5,810	8,810
Amortization of Bond Issue Costs	1,419	1,419
Annual Audit Fee	15,000	17,500
Bad Debt Expense	9,382	13,470
Bank Charges	991	640
Chlorination	91,429	79,053
Computer Expense	7,304	5,191
Contract Labor	72,070	71,838
Depreciation	532,392	473,719
Director's Fees	16,200	18,900
Dues and Subscriptions	452	413
Educational Expense	1,308	1,352
Electricity Purchased	109,275	129,304
Employee Uniforms	7,487	9,190
Equipment Maintenance	9,758	9,344
Equipment Rental	8,887	6,082
Insurance	103,315	86,605
Legal Fees	18,672	16,168
Minute Clerk Fees	3,600	3,500
Miscellaneous	848	1,152
Office Expense	10,050	7,656
Office Supplies	18,393	23,185
Official Journal	2,160	3,790
Operating Costs - Trucks	42,593	39,440
Other Taxes, Licenses, Permits	-	523
Payroll Taxes	27,559	31,535
Postage and Box Rent	27,870	27,819
Professional Fees	413	4,256

(Continued)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Statement B**

**Statement of Revenues, Expenses, and Changes in Net Assets  
Years Ended December 31, 2002 and 2001**

	2002	2001
Repairs, Maintenance and Supplies	\$ 54,561	\$ 54,447
Retirement Contributions	13,925	13,728
Telephone	11,599	11,787
Utilities	7,344	7,172
Wages and Salaries	382,968	399,088
Water Well Maintenance and Supplies	33,522	26,005
Total Operating Expenses	<u>1,648,556</u>	<u>1,604,081</u>
<b>Operating Income (Loss)</b>	<u>442,334</u>	<u>399,124</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest Income	145,126	131,657
Recovery of Bad Debts	1,212	949
Gain on Sale of Fixed Assets	5,339	-
Loss on Disposal of Fixed Assets	(6,602)	-
Interest Expense	(523,508)	(464,147)
Total Nonoperating Revenues (Expenses)	<u>(378,433)</u>	<u>(331,541)</u>
<b>Income (Loss) Before Contributions and Prior Period Adjustments</b>	63,901	67,583
Prior Period Adjustments	-	(5,000)
Prior Period Adjustments	-	111,817
<b>Income (Loss) Before Contributions Capital Contributions</b>	<u>63,901</u>	<u>174,400</u>
Change in Net Assets	108,500	675,642
Net Assets, Beginning of Year	<u>172,401</u>	<u>850,042</u>
Net Assets, End of Year	5,430,122	4,580,080
	<u>\$ 5,602,523</u>	<u>\$ 5,430,122</u>

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Statement C**

**Statement of Cash Flows  
Years Ended December 31, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash Flows From Operating Activities</b>		
Received From Customers	\$ 2,084,924	\$ 2,002,800
Received (Paid) for Meter Deposit Fees	56,035	43,195
Received for Billing Service Fees	17,478	13,936
Received (Paid) to Other Governments	(97,335)	(3,266)
Paid for Operations	(697,445)	(725,725)
Paid to Employees	(435,847)	(442,696)
Net Cash Flows From Operating Activities	<u>927,810</u>	<u>888,244</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Recovery of Bad Debts	<u>1,212</u>	<u>949</u>
Net Cash Flows From Noncapital Financing Activities	<u>1,212</u>	<u>949</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds From Bond Anticipation Notes	-	3,510,000
Payment of Bond Anticipation Notes	-	(1,490,000)
Proceeds From Issuance of Revenue Bonds	-	1,490,000
Capital Contributions Received	108,500	45,292
Proceeds From Sale of Capital Assets	5,339	-
Paid for Capital Acquisitions	(556,431)	(227,375)
Paid for Construction Projects	(2,184,838)	(1,731,891)
Principal Payments - Long-Term Debt	(108,581)	(124,015)
Interest Payments - Long-Term Debt	(433,812)	(439,914)
Net Cash Flows From Capital and Related Financing Activities	<u>(3,169,823)</u>	<u>1,032,097</u>
<b>Cash Flows From Investing Activities</b>		
Receipt of Interest and Dividends	<u>145,126</u>	<u>131,657</u>
Net Cash Flows From Investment Activities	<u>145,126</u>	<u>131,657</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>(2,095,675)</u>	<u>2,052,947</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>4,644,451</u>	<u>2,591,504</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,548,776</u>	<u>\$ 4,644,451</u>

(Continued)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Statement C**

**Statement of Cash Flows  
Years Ended December 31, 2002 and 2001**

**Reconciliation of Operating Income to Net Cash Flows From Operating Activities**

Operating Income (Loss)	\$ 442,334	\$ 399,124
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:		
Depreciation Expense	532,392	473,719
Amortization Expense	1,419	1,419
Gain From Sale of Assets	(5,339)	-
Loss on Disposal of Assets	6,602	-
Bad Debt Expense	9,382	13,469
Changes in Assets and Liabilities:		
Decrease (Increase) in Customer Receivables	8,512	14,530
Decrease (Increase) in Inventories	100	(912)
Increase (Decrease) in Accounts Payable	(2,449)	3,003
Increase (Decrease) in Other Operating Net Assets	(65,143)	(16,108)
Net Cash Flows From Operating Activities	<u>\$ 927,810</u>	<u>\$ 888,244</u>

(Concluded)

The accompanying notes are an integral part of these statements.



**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**Introduction**

On August 5, 1992, the Tangipahoa Parish Council voted to create a parish wide water District effective November 16, 1992, in accordance with *Louisiana Revised Statute 33:3811*, thus creating the Tangipahoa Water District. The purpose of the Tangipahoa Water District was to consolidate Second Ward Water District, Fourth Ward Water District and Water Works District Number 2, which were active water districts. The Tangipahoa Water District is governed by a board of commissioners consisting of seven members. The board is appointed by the parish council and paid according to the number of meetings attended. The Tangipahoa Water District encompasses all non-incorporated areas, with a few exclusions for some previously franchised areas of Tangipahoa Parish. At December 31, 2002, Tangipahoa Water District provided service to a total of 8,583 customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Tangipahoa Water District is considered a component unit of the Tangipahoa Parish Council.

**1. Summary of Significant Accounting Policies**

**A. Measurement Focus and Basis of Accounting and Financial Statement Presentation**

The District's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows.

The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, primarily the provision of water to rural areas of Tangipahoa Parish. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

**B. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law, or any other state of the United States, or under the laws of the United States.

**C. Investments**

Investments are limited by Louisiana RS 33:2955 and the District's investment policy. If the original maturities of investments exceed ninety days, they are classified as investments; however, if the original maturities are ninety days or less, they are classified as cash equivalents.

The District maintains investments in the Louisiana Asset Management Pool (LAMP), a non-profit corporation formed by an initiative of the state treasurer and organized under the laws of Louisiana to operate as a local government investment pool. LAMP invests its assets only in securities and other obligations permissible under Louisiana law for local governments.

LAMP is an external investment pool that is not registered with the SEC as an investment company, but nevertheless operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB-31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires the reporting of investment positions in 2a7-like pools (such as LAMP) be based on the pool's share price.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**D. Inventories**

Inventories consist of materials and supplies and are recorded as an expense when consumed. Inventories are valued at cost using the first-in, first-out method.

**E. Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

**F. Restricted Assets**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants.

**G. Capital Assets**

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 - 30 years
Equipment & Furniture	5 - 7 years
Water System	20 - 50 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**H. Compensated Absences**

The District has the following vacation and sick leave policy:

Employees earn five days of paid vacation after working full-time for one year, ten days of paid vacation after working full-time for three years, and fifteen days of paid vacation after working full-time for ten years. Employees are not allowed to accumulate vacation leave, unless there is a business need. Overtime can be earned from the first day of employment.

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. Accordingly, the District has not accrued liability for sick leave.

**I. Long-term Liabilities**

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**J. Net Assets**

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**K. Use of Estimates**

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.



**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**2. Cash and Cash Equivalents**

At December 31, 2002, and 2001, the District had cash and cash equivalents (book balances), as follows:

	December 31, 2002	December 31, 2001
Interest-Bearing Demand Deposits	\$ 2,548,777	\$ 4,641,864
Louisiana Asset Management Pool (Note 3)	-	2,587
Total Cash and Cash Equivalents	<u>\$ 2,548,777</u>	<u>\$ 4,644,451</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2002, the District had \$2,567,919 in interest bearing demand deposits (collected bank balances). The total of \$2,567,919 was secured by \$100,000 of federal deposit insurance and \$2,467,919 of securities held by the custodial bank in the name of the fiscal agent bank (*GASB Category 3*).

At December 31, 2001, the District had \$4,641,864 in interest bearing demand deposits (collected bank balances). The total of \$4,641,864 was secured by \$100,000 of federal deposit insurance and \$4,541,864 of securities held by the custodial bank in the name of the fiscal agent bank (*GASB Category 3*).

Even though the pledged securities are considered uncollateralized (*Category 3*) under the provisions of *GASB Statement 3, Louisiana Revised Statute 39:1229* imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**3. Investments**

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

At December 31, 2001, all investments held by the District were classified as cash equivalents and consisted of investments in the Louisiana Asset Management Pool (LAMP) totaling \$2,587. As of December 31, 2002, the District had transferred all investments from the LAMP program. As noted in the *Summary of Significant Accounting Policies, Note C - Investments*, the District often maintains investments in LAMP, a non-profit corporation formed by an initiative of the state treasurer and organized under the laws of Louisiana to operate as a local government investment pool. LAMP invests its assets only in securities and other obligations permissible under Louisiana law for local governments.

**4. Receivables**

The following is a summary of receivables at December 31, 2002, and 2001:

	2002	2001
Current	\$ 103,654	\$ 114,069
31 - 60 Past Due	21,608	21,712
61 - 90 Past Due	4,499	5,569
Over 90 Past Due	1,935	8,973
Total	131,696	150,323
Less: Allowance for Uncollectible Accounts	(9,862)	(7,442)
Net Accounts Receivable	<u>\$ 121,834</u>	<u>\$ 142,881</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The Board of Commissioners of Tangipahoa Water District established a monthly allowance for uncollectible accounts, based on .75% of gross water sales, the amount based on past experience in customer collections. Periodically, the Board reviews the aging of receivables and determines the actual amounts uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility. For the fiscal year ending December 31, 2002, the District had recorded \$9,382 in bad debt expense, as compared to \$13,470 bad debt expense for the fiscal year ended December 31, 2001.

Tangipahoa Water District, per ordinances enacted by the Tangipahoa Parish Council, is obligated to provide billing services for Sewerage District No. 1 of Tangipahoa Parish, and also provides billings services for the City of Hammond. The amount included in accounts receivable for Tangipahoa Water District, attributable to other entities for which Tangipahoa Water District provides a billing service, is as follows as of December 31, 2002 and 2001:

	2002	2001
Current	\$ 19,253	\$ 31,629
31 - 60 Past Due	3,781	5,836
61 - 90 Past Due	818	1,259
Over 90 Past Due	2,134	2,084
Total Accounts Receivable - Other Entities	<u>\$ 25,986</u>	<u>\$ 40,808</u>



**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

Estimated unbilled revenues are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. Accrued billings at December 31, 2002, totaled \$95,423, and \$93,218 at December 31, 2001.

Other receivables include \$1,411 due from local governmental entities for which the District provides a billing service, and a total of \$108,500 due from the Louisiana Department of Environmental Quality as reimbursement for the cost of Bolivar Water System Improvements.

**5. Restricted Assets**

At December 31, 2002 and 2001, the District had restricted assets as follows:

	December 31, 2002	December 31, 2001
Cash-Customer Deposits	\$ 323,673	\$ 460,953
Cash-RUS Depreciation and Contingency	238,126	198,285
Cash-RUS Bond Reserve	214,716	229,030
Cash-Phase I Construction	-	162,588
Cash-Phase II Construction	1,311,508	3,159,613
Total Restricted Assets	<u>\$ 2,088,023</u>	<u>\$ 4,210,469</u>

Cash-Phase II Construction, totaling \$1,311,508 at December 31, 2002, consists of the remaining proceeds from interim financing for the Phase II (Bedico/Robert/Robertson Road) project, as described in *Footnote 6 - Capital Assets*.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**6. Capital Assets**

A summary of changes in capital assets during the fiscal year ending December 31, 2001 is as follows:

	Balance December 31, 2000	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2001
Land	\$ 167,544	\$ 8,958	\$ -	\$ 176,502
Building	208,590	1,738	-	210,328
Equipment	512,854	99,276	-	612,130
Furniture and Fixtures	8,673	2,280	-	10,953
Water Distribution System	14,803,060	2,310,252	-	17,113,312
Property, Plant, and Equipment in Service	15,700,721	2,422,504	-	18,123,225
Construction in Progress	148,306	1,951,230	(1,595,128)	504,408
Total Property, Plant, and Equipment	15,849,027	4,373,734	(1,595,128)	18,627,633
Less: Accumulated Depreciation	(3,023,925)	(473,719)	-	(3,497,644)
Net Property, Plant, and Equipment	<u>\$ 12,825,102</u>	<u>\$ 3,900,015</u>	<u>\$ (1,595,128)</u>	<u>\$ 15,129,989</u>

In the above schedule for the fiscal year ending December 31, 2001, a total of \$1,595,128 was reclassified from construction in progress to the water distribution system, based on substantial completion of the Phase I (Misc. Water System Improvements) project. The remaining balance of \$504,408 for construction in progress consisted of construction costs, as of December 31, 2001, for the Phase II (Bedico/Robert/Robertson Road) project. The Phase II project is being funded with \$3,510,000 of bond anticipation notes, with permanent financing to be provided by the Rural Utilities Service, on completion of construction improvements. Of the total construction costs of \$1,951,230 incurred for the fiscal year ending December 31, 2001, a total of \$79,261 was for interest costs incurred during construction.

Equipment, furniture and fixtures are depreciated using useful lives of 5 to 10 years, and the water distribution system uses a useful life of 30 to 50 years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2001 totaled \$473,719.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

A summary of changes in capital assets during the fiscal year ending December 31, 2002 is as follows:

	Balance December 31, 2001	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2002
Land	\$ 176,502	\$ -	\$ -	\$ 176,502
Building	210,328	2,534	-	212,862
Equipment	612,130	109,084	(60,126)	661,088
Furniture and Fixtures	10,953	-	-	10,953
Water Distribution System	17,113,312	444,813	-	17,558,125
Property, Plant, and Equipment in Service	18,123,225	556,431	(60,126)	18,619,530
Construction in Progress	504,408	2,247,999	(108,466)	2,643,941
Total Property, Plant, and Equipment	18,627,633	2,804,430	(168,592)	21,263,471
Less: Accumulated Depreciation	(3,497,644)	(532,392)	53,209	(3,976,827)
Net Property, Plant, and Equipment	<u>\$ 15,129,989</u>	<u>\$ 2,272,038</u>	<u>\$ (115,383)</u>	<u>\$ 17,286,644</u>

In the above schedule for the fiscal year ending December 31, 2002, a total of \$108,466 was reclassified from construction in progress to the water distribution system, based on substantial completion of the Bolivar Water System Improvements project. The remaining balance of \$2,643,941 for construction in progress consists of \$11,390 in construction costs a new office annex to house field crews, and \$2,632,551 in construction costs, as of December 31, 2002, for the Phase II (Bedico/Robert/Robertson Road) project. The Phase II project is being funded with \$3,510,000 of bond anticipation notes, with permanent financing to be provided by the Rural Utilities Service, on completion of construction improvements. Of the total construction costs of \$2,643,941 incurred for the fiscal year ending December 31, 2002, at total of \$114,263 was for interest costs incurred during construction.

Equipment, furniture and fixtures are depreciated using useful lives of 5 to 10 years, and the water distribution system uses a useful life of 30 to 50 years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2002 totaled \$532,392.

#### **7. Compensated Absences**

At December 31, 2002, employees of Tangipahoa Water District have accumulated and vested \$34,021 of employee leave benefits, with \$43,562 recorded at December 31, 2001, computed in accordance with GASB Codification Section C60.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**8. Retirement Program**

On January 27, 1994, the Board of Commissioners of the Tangipahoa Water District, adopted the *Louisiana Public Employees Deferred Compensation Plan*, with the provision that Tangipahoa Water District, the employer, will match employee contributions, up to 5% of gross wages. The contribution by the employer will be re-established by the Board of Commissioners before the beginning of each fiscal year. Under the terms of the State of Louisiana Public Employees Deferred Compensation Plan, an employee may contribute up to a maximum of 25% of adjusted gross income, not to exceed \$8,000 per calendar year. A special "catch-up" provision may be used to save up to \$15,000 per year for the three years prior to retirement.

As reported by the State of Louisiana Deferred Compensation Program, for fiscal year ending December 31, 2002, the aggregate account balance of employees' of Tangipahoa Water District participating in the plan was \$172,924 for the fiscal year ending December 31, 2002 and \$145,565 for the fiscal year ending December 31, 2001, with \$13,925 in total employee contributions in 2002, and \$13,728 in year 2001.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**9. Long-Term Liabilities**

The following is a summary of the long-term liability transactions during the year:

<u>Description</u>	<u>Long-Term Liabilities Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Long-Term Liabilities End of Year</u>	<u>Due Within One Year</u>
1992 Water Revenue Bonds	\$ 2,992,147	\$ -	\$ (41,619)	\$ 2,950,528	\$ 43,959
1995 Water Revenue Bonds Series 1995	2,628,218	-	(29,707)	2,598,511	31,260
1995 Water Revenue Bonds Series 1995-A	124,078	-	(1,551)	122,527	1,634
1999 Water Revenue Bonds Series 1999	2,857,821	-	(28,432)	2,829,389	29,807
1999 Water Revenue Bonds Series 1999-A	295,635	-	(2,940)	292,695	3,084
2001 Water Revenue Bonds, Series 2001	1,490,000	-	(4,332)	1,485,668	13,764
2001 Anticipation Notes - Phase II Improvements	3,510,000	-	-	3,510,000	-
Total	<u>\$ 13,897,899</u>	<u>\$ -</u>	<u>\$ (108,581)</u>	<u>\$ 13,789,318</u>	<u>\$ 123,508</u>

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

Bonds Payable at December 31, 2002 and 2001 comprise the following individual issues:

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Water System Revenue Bonds - RUS Bonds 91-01: \$3,313,000 revenue bonds sold to Rural Utility Service, dated 12/28/92, due in monthly installments of \$17,095 through 12/28/32; interest at 5.5%	\$ 2,950,528	\$ 2,992,147
Water System Revenue Bonds - RUS Bonds 91-02: \$2,756,000 revenue bonds sold to Rural Utility Service, dated 12/28/95, due in monthly installments of \$13,642.20 through 12/28/35; interest at 5.125%	2,598,511	2,628,218
Water System Revenue Bonds - RUS Bonds 91-03: \$133,000 revenue bonds sold to Rural Utility Service, dated 12/28/95, due in monthly installments of \$668.99 through 12/28/35; interest at 5.25%	122,527	124,078
Water System Revenue Bonds - RUS Bonds 91-04: \$2,900,000 revenue bonds sold to Rural Utility Service, dated 6/10/99, due in monthly installments of \$13,630 through 5/28/39; interest at 4.75%	2,829,389	2,857,821
Water System Revenue Bonds - RUS Bonds 91-05: \$300,000 revenue bonds sold to Rural Utility Service, dated 6/10/99, due in monthly installments of \$1,410 through 5/28/39; interest at 4.75%	292,695	295,635
Water System Revenue Bonds - RUS Bonds 91-06: \$1,490,000 revenue bonds sold to Rural Utility Service, dated 11/08/01, due in monthly installments of \$7,003 through 10/28/41; interest at 4.75%	1,485,668	1,490,000
Bond Anticipation Notes dated 11/08/01, consisting of two fully registered notes, in the principal amount of \$2,983,000, bearing interest at the rate of 3.35% annum, and a second note in the principal amount of \$527,000, being non-interest bearing	3,510,000	3,510,000
Total Bonds Payable	<u>\$ 13,789,318</u>	<u>\$ 13,897,899</u>

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

The annual requirements to amortize all outstanding debt, with the exception of the Bond Anticipation Notes, as of December 31, 2002, including interest payments of \$19,487,247 are as follows:

Year Ending December 31,	1992 RUS Revenue Bonds \$3,313,000	1995 Water Revenue Bonds \$2,756,000	1995-A Water Revenue Bonds \$133,000	1999 Revenue Bonds \$2,900,000	1999 Revenue Bonds \$300,000	2001 Revenue Bonds \$1,490,000	2002 Revenue Bonds \$3,800,000	Total
2003	\$ 205,140	\$ 163,706	\$ 8,028	\$ 163,560	\$ 16,920	\$ 84,036	\$ -	\$ 641,390
2004	205,140	163,706	8,028	163,560	16,920	84,036	168,558	809,948
2005	205,140	163,706	8,028	163,560	16,920	84,036	208,114	849,504
2006	205,140	163,706	8,028	163,560	16,920	84,036	208,114	849,504
2007	205,140	163,706	8,028	163,560	16,920	84,036	208,114	849,504
2008-2012	1,025,700	818,532	40,139	817,800	84,600	420,180	1,040,568	4,247,519
2013-2017	1,025,700	818,532	40,139	817,800	84,600	420,180	1,040,568	4,247,519
2018-2022	1,025,700	818,532	40,139	817,800	84,600	420,180	1,040,568	4,247,519
2023-2027	1,025,700	818,532	40,139	817,800	84,600	420,180	1,040,568	4,247,519
2028-2032	1,025,700	818,532	40,139	817,800	84,600	420,180	1,040,568	4,247,519
2033-2037	-	491,119	24,084	817,800	84,600	420,180	1,040,568	2,878,351
2038-2042	-	-	-	245,340	25,380	322,138	1,040,568	1,633,426
2043	-	-	-	-	-	-	17,343	17,343
	<u>\$6,154,200</u>	<u>\$5,402,309</u>	<u>\$ 264,919</u>	<u>\$5,969,940</u>	<u>\$ 617,580</u>	<u>\$3,263,398</u>	<u>\$8,094,219</u>	<u>\$ 29,766,565</u>

The Bond Anticipation Notes, dated November 8, 2001, totaling \$3,510,000, provide interim financing for the Rural Utilities Service Phase II (Bedico/Robert/Robertson Road) project, as noted in *Footnote 6 - Capital Assets*, and are not included in the above schedule of annual requirements to amortize all outstanding debt. However, subsequent to fiscal year end, as noted in *Footnote 14 (Subsequent Events)* the Bond Anticipation Notes of \$3,510,000 were redeemed and permanent financing was obtained from the Rural Utilities Service, consisting of Water Revenue Bonds, Series 2002, not to exceed a total of \$3,820,000. The above schedule includes the projected principal and interest payments for the Water Revenue Bonds, Series 2002 issue, and includes a scheduled interest payment of \$168,558 due on January 28, 2004. The actual amount to be paid on January 28, 2004 for the Water Revenue Bonds, Series 2002 will depend on the schedule of advances of principal of the bond to the District by the United States of America, acting through Rural Development, as interest will be payable only from the dates and to the extent advances are received by the District.



**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**10. Flow of Funds, Restrictions on Use**

The Tangipahoa Water District has the following bond and reserve requirements that apply to *Rural Utilities Service (RUS)* bonds:

That all of the income and revenues derived or to be derived by the Issuer from the operation of the District shall continue to be deposited in a separate and special bank account with the regularly designated fiscal agent bank of the Issuer, to be established with the regularly designated fiscal agent bank of the Issuer and designated as the "*Waterworks Revenue Fund*," said Fund to be maintained and administered in the following order of priority and for the following express purposes:

- (a) The payment of, first, all reasonable and necessary expenses of operating and maintaining the System.
- (b) The establishment and maintenance of the "Waterworks Revenue Bond and Interest Sinking Fund," sufficient in an amount to pay promptly and fully the principal of and the interest on the Bond and any *pari passu* bonds issued hereafter in the manner provided by this resolution by transferring from the Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of each month of each year a sum equal to the principal and interest falling due on the next principal and interest payment date together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. The Tangipahoa Water District has decided to make these monthly payments directly to RUS, thus eliminating the need for a Sinking Fund.
- (c) The establishment and maintenance of the "Waterworks Reserve Fund" (*the Reserve Fund*), by transferring from said Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of each month of each year, a sum of \$2,672 per month beginning November 20, 2002, increasing the payment to \$2,673 per month beginning February 20, 2003, and increasing the monthly deposit requirement to \$3,375 with the completion and acceptance of the project being financed with the proceeds of the Water Revenue Bonds, Series 2002. Beginning February 20, 2004, the monthly deposit requirement is to be increased to \$3,540 until \$849,507.20 has been accumulated therein. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that additional *pari passu* bonds are issued hereafter in the manner provided by this resolution, the payments into the Reserve Fund shall continue, or if the said payments have ceased because of the accumulation of the maximum amount provided above, then such payments shall be resumed, until such time as there has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements for any succeeding twelve (12) month period on such bonds payable from the Reserve Fund.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

As of December 31, 2002, the Rural Utilities Service (RUS) Reserve Fund was fully funded per debt restrictions, with a balance of \$214,716, with a balance of \$229,030 maintained at December 31, 2001. During the fiscal year ending December 31, 2002, the United States Rural Utilities Service authorized transfer of \$55,251 from this fund for reimbursement of construction costs incurred by the District.

- (d) The establishment and maintenance of the "Waterworks Depreciation and Contingency Fund" (*the Contingency Fund*) to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the District, by transferring from the Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of each month of each year, a sum of \$2,672 per month beginning November 20, 2002, increasing the payment to \$2,710 per month beginning February 20, 2003, and increasing the monthly deposit requirement to \$3,413 with the completion and acceptance of the project being financed with the proceeds of the Water Revenue Bonds, Series 2002. Beginning February 20, 2004, the monthly deposit requirement is to be increased to \$3,578 until \$849,507.20 is on deposit in the Reserve Fund and then monthly payments increase to \$4,795. Money in the Contingency Fund shall also be used to pay the principal of and the interest on any bond for the payment of which there is not sufficient money in the Sinking Fund or the Reserve Fund, but if so used, such money shall be replaced by the Issuer as soon as possible thereafter out of the earnings of the System after making the required payments into the respective funds and accounts herein above specified.

If, at any time, it shall be necessary to use moneys in the Reserve Fund or the Contingency Fund as above provided for the purpose of paying principal of or interest on bonds payable as to which there would otherwise be default, then the moneys so used shall be replaced from the revenues first thereafter received, not herein above required to be used for operation and maintenance of the District or for current principal, interest and reserve requirements.

As of December 31, 2002, the Rural Utilities Service (RUS) Depreciation and Contingency Fund was fully funded, per debt restrictions, with a balance of \$238,126, with a balance of \$198,285 maintained at December 31, 2001.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**11. Restricted and Designated Net Assets**

At December 31, 2002, Tangipahoa Water District recorded \$331,974 in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

In addition, for the fiscal year ending December 31, 2002, the Board of Commissioners of Tangipahoa Water District designated a total of \$211,271 as cash reserved for future capital improvement projects. Since this designation represents an internally imposed restriction, the amount designated for capital improvements is included within the category of Unrestricted Net Assets, totaling \$750,012 at December 31, 2002.

**12. Prior Period Adjustments**

Prior period adjustments were made to correct the beginning Net Assets balance. The adjustments were made to correct the accrual for audit fees, and to correct the meter deposit payable amount, based on review and update of the District's liability for refund of meter deposits by customers in response to Audit Finding Reference No. 96-M2 within the *Corrective Action Plan for Prior Year Audit Findings*. The correction to the beginning Net Asset balance is as follows:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
12/31/01	Net Asset Balance, Before Prior Period Adjustment	\$ 5,323,305
	Prior Period Adjustments:	
12/31/01	–Correcting Accrual for Audit Fees	(5,000)
12/31/01	–Correcting Meter Deposit Liability	<u>111,817</u>
12/31/01	Net Assets Balance, After Prior Period Adjustment	<u><u>\$5,430,122</u></u>

**13. Litigation and Claims**

At December 31, 2002, the District is involved in continuing litigation. Suits against the District for which there is a material exposure have a potential loss estimated not to exceed \$30,000.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Notes to the Financial Statements  
December 31, 2002 and 2001**

**14. Subsequent Events**

On February 5, 2003, Water Revenue Bonds, Series 2002, were issued by the United States of America (Rural Development) to Tangipahoa Water District in an amount not to exceed \$3,820,000. The Series 2002 bonds bear an interest rate of 4.5%, have a maturity date of January 28, 2043, and provide permanent financing for the Rural Utilities Service Phase II (Bedico/Robert/Robertson Road) project. With the issuance of the Series 2002 bonds, the District received \$2,465,744 as the first advance of the principal of the bond. These funds, in combination with cash on hand from interim financing for the Phase II project, were used to redeem Bond Anticipation Notes, dated November 8, 2001, totaling \$3,510,000.

**15. Construction Commitments**

The Water Revenue Bonds, Series 2002, as noted in "Footnote 14 - Subsequent Events" provide financing not to exceed \$3,820,000, for water system expansion and improvements under the Phase II (Bedico/Robert/Robertson Road) project. The District recorded construction in progress of \$2,632,551 at December 31, 2002, with construction for the Phase II project scheduled for completion by June - July of 2003.

The District also recorded construction in progress of \$11,390 at December 31, 2002 for a new office annex to house field crews. Total construction cost is estimated at \$119,950.

## Supplemental Information Schedules

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 1**

**Budgetary Comparison Schedule  
Year Ended December 31, 2002  
(With Comparative Amounts for the Fiscal Year Ended December 31, 2001)**

	Budget 2002	Actual 2002	Variance Favorable (Unfavorable)	2001
<b>Operating Revenues</b>				
Water Sales	\$ 1,869,008	\$ 1,864,146	\$ (4,862)	\$ 1,804,029
Penalties	40,059	41,442	1,383	27,815
Service Connection and Installation Fees	116,478	121,749	5,271	111,450
Reconnect Charges	35,019	35,925	906	35,300
Billing Fees	15,354	15,741	387	14,935
DHH Fee Allowance	-	2,650	2,650	2,575
Miscellaneous	10,818	9,237	(1,581)	7,101
Total Operating Revenues	<u>2,086,736</u>	<u>2,090,890</u>	<u>4,154</u>	<u>2,003,205</u>
<b>Operating Expenses</b>				
Accounting Fees	5,000	5,810	(810)	8,810
Amortization of Bond Issue Costs	1,398	1,419	(21)	1,419
Annual Audit Fee	15,000	15,000	-	17,500
Bad Debt Expense	12,000	9,382	2,618	13,470
Bank Charges	500	991	(491)	640
Chlorination	78,823	91,429	(12,606)	79,053
Computer Expense	6,500	7,304	(804)	5,191
Contract Labor	76,271	72,070	4,201	71,838
Depreciation	521,511	532,392	(10,881)	473,719
Director's Fees	19,200	16,200	3,000	18,900
Dues and Subscriptions	500	452	48	413
Educational Expense	2,500	1,308	1,192	1,352
Electricity Purchased	125,000	109,275	15,725	129,304
Employee Uniforms	9,000	7,487	1,513	9,190
Equipment Maintenance	12,000	9,758	2,242	9,344
Equipment Rental	5,000	8,887	(3,887)	6,082
Insurance	90,000	103,315	(13,315)	86,605
Legal Fees	3,600	18,672	(15,072)	16,168
Minute Clerk Fees	3,600	3,600	-	3,500
Miscellaneous	1,200	848	352	1,152
Office Expense	25,000	10,050	14,950	7,656
Office Supplies	10,000	18,393	(8,393)	23,185
Official Journal	2,500	2,160	340	3,790

(Continued)

The accompanying notes are an integral part of these statements.



**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 1**

**Budgetary Comparison Schedule  
Year Ended December 31, 2002  
(With Comparative Amounts for the Fiscal Year Ended December 31, 2001)**

	Budget 2002	Actual 2002	Variance Favorable (Unfavorable)	2001
Operating Costs - Trucks	\$ 41,000	\$ 42,593	\$ (1,593)	\$ 39,440
Other Taxes, Licenses, Permits	1,000	-	1,000	523
Payroll Taxes	33,411	27,559	5,852	31,535
Postage and Box Rent	27,354	27,870	(516)	27,819
Professional Fees	5,000	413	4,587	4,256
Repairs, Maintenance and Supplies	60,000	54,561	5,439	54,447
Retirement Contributions	13,536	13,925	(389)	13,728
Telephone	12,000	11,599	401	11,787
Utilities	7,550	7,344	206	7,172
Wages and Salaries	412,484	382,968	29,516	399,088
Water Well Maintenance and Supplies	30,000	33,522	(3,522)	26,005
Total Operating Expenses	<u>1,669,438</u>	<u>1,648,556</u>	<u>20,882</u>	<u>1,604,081</u>
<b>Operating Income (Loss)</b>	<u>417,298</u>	<u>442,334</u>	<u>25,036</u>	<u>399,124</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income	110,000	145,126	35,126	131,657
Recovery of Bad Debts	1,008	1,212	204	949
Gain on Sale of Fixed Assets	-	5,339	5,339	-
Loss on Disposal of Fixed Assets	-	(6,602)	(6,602)	-
Interest Expense	(522,255)	(523,508)	(1,253)	(464,147)
Total Nonoperating Revenues (Expenses)	<u>(411,247)</u>	<u>(378,433)</u>	<u>32,814</u>	<u>(331,541)</u>
<b>Income (Loss) Before Contributions and Prior Period Adjustments</b>	<u>6,051</u>	<u>63,901</u>	<u>57,850</u>	<u>67,583</u>
Prior Period Adjustment	-	-	-	(5,000)
Prior Period Adjustment	-	-	-	111,817
<b>Income (Loss) Before Contributions Capital Contributions</b>	<u>6,051</u>	<u>63,901</u>	<u>57,850</u>	<u>174,400</u>
Capital Contributions	-	108,500	108,500	675,642
<b>Change in Net Assets</b>	<u>6,051</u>	<u>172,401</u>	<u>166,350</u>	<u>850,042</u>
<b>Net Assets, Beginning of Year</b>	<u>5,430,122</u>	<u>5,430,122</u>	<u>-</u>	<u>4,580,080</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,436,173</u>	<u>\$ 5,602,523</u>	<u>\$ 166,350</u>	<u>\$ 5,430,122</u>

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 2**

**Schedule of Compensation Paid Board Members  
Year Ended December 31, 2002**

<u>Board of Commissioners</u>	<u>Per Diem</u>	<u>Term of Office</u>
Tommy Levatino, President 53299 W. Fontana Road Independence, LA 70443 Phone: (985) 878-4341	\$ 2,000	Expires March 2005
Nathan Sticker, Vice-President 40305 C C Road Ponchatoula, LA 70454 Phone: (985) 845-7315	2,100	Expires March 2004
Dickie Davidge, Secretary 123 South Cate Street Hammond, LA 70403 Phone: (985) 542-7187	2,100	Expires February 2004
Joe Perrin, Treasurer 39502 Teel Road Ponchatoula, LA 70454 Phone: (985) 386-3147	2,000	Expires May 2004
Eugene Traylor 41041 Pumpkin Center Road Hammond, LA 70403 Phone: (225) 294-5528	2,300	Expires July 2003
Frank Fowler 73309 Wiley Blades Road Kentwood, LA 70444 Phone: (985) 229-4258	1,600	Expires September 2004
Mike Miller 68024 Hwy. 1061 Kentwood, LA 70444 Phone: (985) 229-8815	1,700	Expires September 2004
Dr. J. L. Garrett 506 N. Cherry Street Hammond, LA 70401 Phone: (985) 345-5977	2,400	Expires March 2005
Total Compensation Paid	<u>\$ 16,200</u>	

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 3**

**Schedule of Insurance  
As of and for the Year Ended December 31, 2002**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
St. Paul Insurance Company Package Policy Number GP09308153	Commercial Property:		
	Total Coverage	\$ 4,837,787	05/01/02 - 05/01/03
	Commercial General Liability:		
	General Aggregate	2,000,000	
	Products-Completed Operations	2,000,000	
	Personal Injury	1,000,000	
	Each Occurrence	1,000,000	
	Fire Damage	100,000	
	Inland Marine:		
	Total Coverage	144,125	
	Employee Benefits Plan Admin. Liability:		
	Policy Limit	3,000,000	
	Each Act	1,000,000	
	Public Entity Management Liability:		
	Total Limit	1,000,000	
	Each Act	1,000,000	
	Commercial Automobile:		
	Liability	500,000	
	Uninsured/Underinsured	500,000	
	Comprehensive/Collision (as scheduled)		
Louisiana Employers Managed Insurance Company Policy # 777-03612-01	Commercial Crime:		
	Blanket Limit	550,000	
	Commercial Excess/Umbrella:		
	General Aggregate	5,000,000	
	Each Occurrence	5,000,000	
	Worker's Compensation:		
	Employers Liability		05/01/02 - 05/01/03
	Bodily Injury, Each Accident	500,000	
	Employers Liability		
	Disease, Each Employee	500,000	
	Employers Liability		
	Disease, Policy Limit	500,000	

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 4**

**Schedule of Water Customers  
December 31, 2002**

	Number of Customers
Residential Service Type	8,240
Commercial Service Type	343
	<u>8,583</u>
Commercial users having a meter larger than the residential size (3/4")	<u>302</u>

**Schedule of Water Rates  
December 31, 2002**

Service Type	Base Rate	Cost Per 1,000 Gallons Above Base Rate
Residential Metered	\$9.00 First 3,000 Gallons;	\$1.25 Over First 3,000 Gal
Residential Flat Rate	\$25.00 Flat Rate	
Commercial		
3/4" Meter	\$20.00 First 10,000 Gallons;	\$1.25 Over First 10,000 Gal
1" Meter	\$20.00 First 10,000 Gallons;	\$1.25 Over First 10,000 Gal
1½" Meter	\$40.00 First 20,000 Gallons;	\$1.25 Over First 20,000 Gal
2" Meter	\$60.00 First 30,000 Gallons;	\$1.25 Over First 30,000 Gal
3" Meter	\$80.00 First 40,000 Gallons;	\$1.25 Over First 40,000 Gal
4" Meter	\$100.00 First 50,000 Gallons;	\$1.25 Over First 50,000 Gal
6" Meter	\$125.00 First 60,000 Gallons;	\$1.25 Over First 60,000 Gal
Apartments		
Metered	\$8.50/Unit First 3,000 Gallons;	\$1.25 Over First 3,000 Gal
Unmetered	\$12.00 Per Unit	
Schools	Billed According to Meter Size	
Dairy Farms	\$40.00 First 30,000 Gallons;	\$0.80 Over First 30,000 Gal

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2002**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Program or Amount
U. S. Department of Agriculture		
Water and Waste Disposal Systems For Rural Communities		
Loan Repayments	10.760	\$ 3,313,000
Loan Repayments	10.760	2,756,000
Loan Repayments	10.760	133,000
Loan Proceeds	10.760	2,900,000
Loan Proceeds	10.760	300,000
Loan Proceeds	10.760	1,490,000
Total Loan Activity		
U. S. Department of Agriculture		
Water and Waste Disposal Systems For Rural Communities		
Construction (Phase II Bedico/Robert/Robertson)	10.760	

Note 1: The accompanying schedule of expenditures of federal awards includes the federal loan/grant activity of Tangipahoa Water District and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations".

Note 2: The Phase II (Bedico/Robert/Robertson Road) project is being funded with bond anticipation notes totaling \$3,510,000, with permanent financing to be provided by the Rural Utilities Service, upon completion of construction improvements. The District recorded a total of \$2,632,551 construction in progress expenditures for Phase II, as of December 31, 2002; with \$2,128,143 recorded in the fiscal year ending December 31, 2002, and \$504,508 recorded for Phase II as of December 31, 2001.

The accompanying notes are an integral part of these statements.

**Schedule 5**

Loan Balance December 31, 2001	Receipts or Revenue Recognized	Disbursements or Expenditures	Loan Balance December 31, 2002
\$ 2,992,147	\$ -	\$ 41,619	\$ 2,950,528
2,628,218	-	29,707	2,598,511
124,078	-	1,551	122,527
2,857,821	-	28,432	2,829,389
295,635	-	2,940	292,695
1,490,000	-	4,332	1,485,668
<u>\$ 10,387,899</u>	<u>\$ -</u>	<u>\$ 108,581</u>	<u>\$ 10,279,318</u>

2,128,143  
\$ 2,128,143



**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 6**

**Corrective Action Plan for Prior Year Audit Findings  
For the Year Ended December 31, 2002**

**Section I - Internal Control and Compliance Material to the Financial Statements**

**Reference Number:** 2001-C1

**Fiscal Year of Initial Compliance Finding:** Fiscal Year Ending December 31, 2001

**Description of Finding:**

As part of accounts receivable testing and reconciliation for the fiscal year ended December 31, 2001, and at the request of District personnel, we reviewed accounts receivable (utility system) transactions subsequent to fiscal year end. Our conclusion for review subsequent to fiscal year end was that charge, adjustment, and payment transactions were being recorded at correct totals in the utility billing system. However, upon review of specific accounts we noted that in some cases balances were not being allocated correctly between water, sewer, and sales tax categories. The errors appear to have occurred after implementation of a software change for recording bank draft payments on customer accounts. The following types of errors were noted:

- 1) Sewer account balances, in part or total, were being incorrectly allocated to water account balances. In each case reviewed, the incorrect allocation occurred whenever a customer payment was entered immediately after an "automatic allocation" (adjustment) of balances. According to the software vendor, an "automatic allocation" of balances is required for reporting purposes, in particular for aging of sewer and garbage account balances.
- 2) Water balances were incorrectly allocated to sewer accounts.
- 3) Incorrect allocations were being made between sales tax and water account balance categories. Total account balances were not incorrect; only the allocation to sales tax. For the month reviewed, February 2002, District personnel estimated the sales tax liability based on the number of active customers.
- 4) Two identical sewer payment transaction reports for February 2002, ran on the same day in March 2002, varied by approximately \$200 in total amount.

We recommended the following:

- 1) Forward the record of errors of allocation of account balances and categories to the software vendor, have the software vendor correct the errors, and test for compliance.
- 2) Have the software vendor provide in writing the program logic for "automatic allocations". It appears to be normal to have at least one "automatic allocation" each month, and numerous adjustments tend to distort the audit trail. Ask also whether "automatic allocations" can affect prior month balances. Once this information is received, determine if it is feasible to implement program changes that track sewer and garbage balances, without the need for continuous allocation of account balances.

(Continued)

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 6**

**Corrective Action Plan for Prior Year Audit Findings  
For the Year Ended December 31, 2002**

**Corrective Action Planned (Response by Management):**

Each of the above errors was reviewed and corrected by the software vendor. The vendor also plans an update of the utility billing software that will allow for segregation of records for sewer and garbage accounts billed for other entities. We will review the proposed updates to determine if the need for "automatic allocations" can be eliminated.

**Corrective Action Taken: Partial**

**Additional Explanation:**

Corrective action is listed as "Partial" since the planned utility billing program update must be reviewed to determine if records of sewer and garbage transactions can be tracked and reported without the need for continuous allocation of account balances.

**Reference Number: 2001-C2**

**Fiscal Year of Initial Compliance Finding: Fiscal Year Ending December 31, 2001**

**Description of Finding:**

We noted that the District had approved payment of ten days vacation leave to an employee. Payment for vacation leave, except on termination of employees, is not allowed for governmental employees. The District indicated they were not aware of the restriction on payment for vacation leave. The employee in question had accumulated over-time hours. The District indicated that they would credit accumulated k-time hours and will re-instate the vacation leave.

**Corrective Action Planned (Response by Management):**

The District complied to the recommendation.

**Corrective Action Taken: Final**

**Section II - Internal Control and Compliance Material to Federal Awards**

No Findings for Section II.

(Continued)

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 6**

**Corrective Action Plan for Prior Year Audit Findings  
For the Year Ended December 31, 2002**

**Section III - Management Letter**

**Reference Number:** 96M-2

**Fiscal Year of Initial Management Recommendation:** Fiscal Year Ending 12/31/95

**Description of Finding:**

We noted in prior years that the District personnel spent considerable time researching source records to determine the status of accounts. Since meter deposits were not being input into a centralized data base, we recommended implementation of a new record-keeping system. At December 31, 2001, all meter deposit records had been input into the utility billing software, and a report was available indicating total meter deposit liability of \$380,020. Actual cash deposits at December 31, 2001, totaled \$490,953, exceeding estimated meter deposit liability by \$110,933. Since the meter deposit list was recently finalized, and there is a significant difference between estimated liability and cash balance, we recommended additional review and testing to determine that the meter deposit list was reasonably stated. Upon completion of testing, we recommended that excess meter deposit cash be transferred to unrestricted cash accounts.

**Corrective Action Planned (Response by Management):**

Update and correction of the meter deposit listing was part of on-going process that spanned several years. In the early years of the District, excess funds had been transferred to the meter deposit account and remained in that account, pending update of meter deposit records. We have complied to the above recommendations, transferred excess funds from this account, and have recorded the adjustment to actual for the meter deposit liability as a prior period adjustment on the audited financial statements for the fiscal year ending December 31, 2002.

**Corrective Action Taken: Final**

**Reference Number:** 99-M1

**Fiscal Year of Initial Management Recommendation:** Fiscal Year Ending 12/31/99

**Description of Finding:**

During the fiscal year ending December 31, 1999, a new utility billing system was implemented. Some of the reasons for implementing the system were to add features not available under the current system, including ability to create more complex billing codes and payment plans, expanded reporting, expanded memory capabilities for hand held meter readings, automatic bank drafting for billings, and capability of scanning for recording receipts. However, problems were encountered during implementation of the system, and numerous program modifications and corrections were required. Testing of the audit trail for utility billing transactions showed significant improvement, but errors were still noted in testing of transactions.

(Continued)

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 6**

**Corrective Action Plan for Prior Year Audit Findings  
For the Year Ended December 31, 2002**

Findings remaining as of December 31, 2001 were as follows:

- 1) Testing indicated that the aged receivable listing for sewer and garbage transactions was substantially correct, but program modifications were still required since the final balances for some accounts did not reconcile to the amount reported on the master aging report for the entire District.
- 2) The month-end reconciliation process for accounts receivable took substantial time to complete. This report should be readily available on a monthly basis for review by management as a check on the accuracy of transactions processed by the utility billing software. The month-end process should begin with the prior balance and add or subtract the transactions of the month to determine the reasonableness of the ending balance of accounts receivable as reported by the utility billing system. As a check on the accuracy of records processed by the utility billing system, cash transaction totals as reported by the utility billing system are generally compared to records of collections reported in bank reconciliations.

For Item # 1, the finding remains and the differences in the aged receivables reports need to be tested on a monthly basis and reconciled to the master aging report, until all final balances are reported and aged correctly. As noted by management in response to Reference No. 2001-C1 above, the vendor plans an update of the utility billing software that will allow for segregation of records for sewer and garbage accounts billed for other entities. Reporting needs to be monitored for accuracy as updates are implemented.

For Finding # 2, considerable time was also required during the current audit, for the fiscal year ending December 31, 2002, to reconcile accounts receivable at month end. The process is now more complicated since "Miscellaneous" payments are also recorded in the utility billing system. "Miscellaneous" payments are for payments other than payments for customer receivables and include such items as connection fees and meter deposits. It is recommended that with the implementation of the planned utility billing program update that these items either not be recorded in the utility billing system or if recorded, reports be added that reconcile "miscellaneous" payments separately from customer payments on account.

**Corrective Action Planned (Response by Management):**

We will continue to review accounts receivable aging reports for agencies for which we provide a billing service, to insure that balances are allocated correctly. We will also monitor implementation of planned program updates to provide for improved reporting and reconciliation of "miscellaneous" payments.

**Corrective Action Taken: Partially**

**Additional Explanation:**

Corrective action is listed as partial, since accounts receivable aging reports must still be monitored, and the monthly accounts receivable reconciliation process must be standardized.

(Concluded)

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 7**

**Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 2002**

**Section I - Internal Control and Compliance Material to the Financial Statements**

No Findings for Section I.

**Section II - Internal Control and Compliance Material to Federal Awards**

No Findings for Section II.

**Section III - Management Letter**

No Findings for Section III.

(Concluded)

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 8**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2002**

**I. Type of Report Issued on the Financial Statements.**

A unqualified opinion was issued on the financial statements for the Tangipahoa Water District.

**II. Disclosure of Reportable Conditions in Internal Control.**

A reportable condition was disclosed within the *Corrective Action Plan for Prior Year Audit Findings* as Reference Number 2001-C1. The reportable condition disclosed was not a material weakness as required to be reported in accordance with *Governmental Auditing Standards*.

**III. Disclosure of noncompliance material to the financial statements.**

There were no material instances of noncompliance, material to the financial statements, disclosed by the audit of the financial statements of the Tangipahoa Water District, which are required to be reported in accordance with *Governmental Auditing Standards*.

**IV. Disclosure of Reportable Conditions in Internal Control over Major Programs.**

There were no reportable conditions for Major Programs for the Tangipahoa Water District, for the fiscal year ending December 31, 2002.

**V. Type of Report Issued for Major Programs.**

Unqualified.

**VI. Disclosure of Audit Findings Required to be Reported under S\_\_\_ .510 Audit Findings.**

There were no findings to be reported under S\_\_\_ .510 Audit Findings.

**VII. Identification of Major Programs.**

The Major Program identified for the Tangipahoa Water District for the fiscal year ending December 31, 2002, was the U.S. Department of Agriculture, Water and Waste Disposal Systems for Rural Communities, CFDA Number 10.760.

**VIII. Dollar Threshold to Distinguish Between Type "A" and Type "B" programs.**

Expenditures of \$300,000.

(Continued)



**Tangipahoa Water District  
Tangipahoa Parish Council**

**Schedule 8**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2002**

**IX. Statement as to Whether the Auditee qualified as Low-Risk Auditee under S\_\_\_\_.530.**

Yes. The Tangipahoa Water District qualified as a low-risk auditee under the provisions of S\_\_\_\_.530.

**X. Findings which must be Reported in accordance with GAGAS.**

A finding was disclosed in the *Corrective Action Plan for Prior Year Audit Findings* as Reference Numbers 2001-C1.

**XI. Findings and Questioned Costs for Federal Awards.**

There were no findings or questioned costs for Tangipahoa Water District for the fiscal year ending December 31, 2002.

(Concluded)

**BRUCE HARRELL & CO.**  
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**Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council

We have audited the basic financial statements of the Tangipahoa Water District, Louisiana, as of and for the year ended December 31, 2002, and have issued our report thereon dated March 6, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Tangipahoa Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Tangipahoa Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management within the *Corrective Action Plan for Prior Year Audit Findings* as Reference Numbers 2001-C1 and 99-M1.

**BRUCE HARRELL & CO.**  
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Page 2

*This report is intended for the information of management, the Legislative Auditor, and the Rural Utilities Service office. However, this report is a matter of public record and its distribution is not limited.*

A handwritten signature in cursive script that reads "Bruce Harrell & Co.".

Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

March 6, 2003

**BRUCE HARRELL & CO.**  
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**Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with *OMB Circular A-133***

Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council

**Compliance**

We have audited the compliance of the Tangipahoa Water District, a component unit of the Tangipahoa Parish Council, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2002. The Tangipahoa Water District's major federal programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Tangipahoa Water District's management. Our responsibility is to express an opinion on the Tangipahoa Water District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tangipahoa Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tangipahoa Water District's compliance with those requirements.

In our opinion, the Tangipahoa Water District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

**Internal Control Over Compliance**

The management of the Tangipahoa Water District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the Tangipahoa Water District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

**BRUCE HARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
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Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Legislative Auditor, and the Federal Cognizant Agent. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell and Company, CPAs  
A Professional Accounting Corporation

March 6, 2003